

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
SEPTEMBER 14, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on September 14, 2021, by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:01 p.m. *(All meetings are being held with in person attendance following County and State COVID guidelines as well as virtually.)* Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Nelson, Member Johnson *(via video conference)*, Member Hensley, Member Rindfleisch *(via video conference)*, Alternate Williams *(via video conference)*.

Also Present: General Manager Kennedy, Finance Manager Largent, Information Systems Specialist Espino.

Also Present Via Video Conference or Teleconference:

Information Technology Manager Khattab, Construction and Maintenance Supervisor Lagunas, Operations Manager Gutierrez, Senior Accountant Rubio.

One member of the public was present via teleconference or video teleconference.

4. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

Mr. Nelson read aloud the instructions for those attending the meeting via teleconference or video conference.

5. **SEATING OF ALTERNATES**

There were no alternates seated.

6. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**

There were no amendments to the agenda.

7. **PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)**

There were no public comments.

***8. APPROVAL OF MINUTES**
A. August 10, 2021

Motion:

To approve the minutes.

Action: Approve, Moved by Member Hensley, Seconded by Member Johnson.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

Ayes: Member Nelson, Member Johnson, Member Hensley, Member Rindfleisch.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy announced the County Board of Supervisors passed a proclamation naming this day Rapid Aero Water Supply Day in honor of the Heli-Hydrant project during the ceremonious event that took place earlier in the day. He noted one of the main goals was to bring these Heli-Hydrants to the attention of state and county legislatures in hopes money will be found to apply to installing more of these around the rural areas to increase fire protection.

10. FINANCE MANAGER COMMENTS

Ms. Largent reiterated Mr. Kennedy's comments regarding the event held earlier being great and added to it that interviews will take place over the next week or two for the grant position that was opened up as part of the budget this year. She noted this position will provide for opportunities to pursue means for building more facilities as well as fund projects. Discussion ensued.

11. COMMITTEE MEMBER COMMENTS

There were no comments.

***12. VARIANCE REQUEST FOR CUSTOMER DABBS**

Ms. Largent explained this matter was related to one RMWD customer making a side deal with another RMWD customer to utilize a meter. She mentioned there was a great deal of communications with different members of the District regarding this matter which have been provided summarized in the document provided in the agenda packet. She stated the customer has claimed this was his meter and that his staff had been paying the RMWD bill for two years prior to the legal process for getting the meter in his name had been completed. She said the customer was now requesting a credit for the two-year period when he had paid for the meter during the period of time the meter was not in his name.

Ms. Largent stated staff believes this matter would be more of a civil dispute in that this customer paid someone else's bill; therefore, staff is recommending the request for refund in the amount of \$6,378.00 for two years of fixed fees on a meter that RMWD has proof of the customer claiming and was functional during this entire time.

Mr. Nelson found the chronology on this matter to be interested in that it appears to be contradictory. Mr. Kennedy stated he had spoken with Mr. Dabbs regarding this matter approximately one year ago at which time Mr. Dabbs was advised to work out details with the property owner where the remote meter was located; however, Mr. Dabbs had not mentioned wanting to be credited. Mr. Williams confirmed a refund was not mentioned when these

discussions, Mr. Dabbs has always claimed this meter as his, and how it was not until Mr. Dabbs realized he would not be able to continue using this meter without easements or obtaining a County Encroachment Permit that a request for a refund was brought to staff's attention.

Mr. Nelson asked if this request is denied, would Mr. Dabbs be obligated to continue to pay the fixed charges associated with the meter. Ms. Largent stated the meter has been transferred into the customer's company name and is currently paying the fixed charges. Mr. Nelson asked for confirmation Mr. Dabbs or his company will be responsible to for paying for that meter regardless of the timeframe it takes to get easements and water delivered to his property. Mr. Williams stated the last time he spoke with Mr. Dabbs, the official arrangements were in the works.

Ms. Johnson inquired as to whether Briggs Nursery on Aqueduct went across the street and was using that neighbor's meter and was now seeking a refund from RMWD in the amount of approximately \$6,000. Ms. Largent explained Mr. Dabbs did not actually use the meter but wanted to the meter to be his so he could use it and wanted to secure the capacity for future use; therefore, he took over the fixed fees via an agreement with the other customer that the meter would become his. Mr. Kennedy added he thought Mr. Dabbs' plan was to get a line run across the other property and supplement the water supply on the other parcels. He said although this is allowed in some circumstances, there is no mechanism for this type of scenario included in the Administrative Code and for the Board to approve a refund would be contrary to some other RMWD policy objectives.

Mr. Williams added when the original parcel owner who owned the meter approached Mr. Dabbs, Mr. Dabbs acquired a part or all of that parcel. He stated this was a very unique situation and how staff has been working with Mr. Dabbs on this from the very beginning on this matter during which time staff made it very clear RMWD would not help obtain these easements or coordinate with the County on Mr. Dabbs' behalf because this was purely a private matter. He said it was at this time Mr. Dabbs made a refund request. He added staff notified Mr. Dabbs if he no longer wanted to pay the fixed charges, it would be his responsibility to pay to abandon the meter.

Ms. Johnson stated as a member of this committee, she found RMWD acting very cautiously in that this sets precedence for other potential situations; therefore, she was not comfortable recommending approval of the request.

Mr. Nelson pointed out the staff report requests approval of recommendation for Option 1 when it should be Option 2 to deny the variance request.

Motion:

To support staff's recommendation that the Board deny the adjustment for the customer.

Action: Approve, Moved by Member Hensley, Seconded by Member Rindfleisch.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

Ayes: Member Nelson, Member Johnson, Member Hensley, Member Rindfleisch.

13. RATE HEARING UPDATE

Ms. Largent reported the rates recommended by the Committee passed. She noted there were 13-14 members of the public present at the meeting at which time a presentation was provided on the work conducted over the past two and one-half years including a timeline that seemed to have resonated with those present.

Ms. Largent mentioned the rate increases were implemented on September 1, 2021. Mr. Hensley asked if this would be the 9%. Ms. Largent confirmed.

Mr. Nelson stated he attended the hearing and how he found staff's presentation to be very straight forward and somewhat powerful in the manner in which it was presented. He said the amount of negative verbal comments received was very small and how in a couple of cases the response from the District involved notifying those customers there were options available for meter downsizing. He asked if anyone has approached the District regarding potential downsizing since the public hearing took place. Ms. Largent said not as of yet, but it may take a while for those requests to be remitted.

Ms. Johnson inquired as to meter downsizing deadlines. Ms. Largent stated requests for downsizing meters can be made at any time.

14. AUDIT UPDATE

Ms. Largent stated the audit was going very well with no findings or any adjustments. She expressed how impressed she and the auditors were with the quick response time to the auditor's requests from her team members, Ms. Martinez and Ms. Rubio, throughout the process and how this combined with scheduling the audit earlier in the season has been very helpful. She noted staff was anticipating presenting the Comprehensive Financial Report to this committee in November and to the Board in December.

Mr. Nelson inquired as to the completion date for the audit. Ms. Largent noted the auditor's field work was complete and how the whole process should be done November 6, 2021. Mr. Nelson acknowledged this was the earliest RMWD has gotten to this point as well as the first time the auditors had absolutely no questions of the District which is a huge turnaround from the past; therefore, the team involved with this process deserve a great deal of credit.

15. SHUTOFF MORATORIUM UPDATE

Ms. Largent stated this was brought this committee and Board last month who decided to do nothing as staff recommended; therefore, shutoffs would commence at the end of September, the Standard Operating Procedures have been updated, and the letter was presented to the Communications and Customer Service Committee. She mentioned the deadline may be pushed out to December 31, 2021, but regardless, staff was ready to proceed once a decision has been made. She noted staff completed the survey with the State to receive funds from the Economic Recovery Act that will help those who did not pay their bills between March 6, 2020-June 15, 2021 which totals approximately \$1.4 million. She explained should RMWD receive those funds, those customers would be credited that amount even if they already paid their bills. She pointed out it was interesting in that those customers did not need to provide any criteria to receive a credit which causes some concern.

Mr. Nelson asked if the \$1.4 million drops into RMWD's lap, what did the budget for this year assume with regard to revenues for that amount. Ms. Largent explained it would be a collection of unpaid debt and monies RMWD expected to collect regardless which is how it would be reflected on the balance sheet. She clarified it would not affect RMWD's balance sheet or income; however, it may change how the funds are collected as well as the future customer actions.

Ms. Johnson gave a shout out to Ms. Largent and her team for the phenomenal work they were doing. Mr. Kennedy agreed.

16. WATER SERVICE UPGRADE PROJECT (WSUP) PROGRAM UPDATE

Mr. Kennedy reported the project was approximately 70% complete. He noted things were going smoothly with some of the last items being procured.

17. DISCUSSION AND POSSIBLE ACTION REGARDING COMMITTEE MEMBERSHIP (REAPPOINTMENTS)

It was noted this was related to Mr. Nelson being reappointed to this committee since he was appointed in October 2017.

Ms. Johnson stated the committee was very happy with Mr. Nelson. Mr. Hensley thanked Mr. Nelson for doing a fantastic job in this position and for being prepared for every single meeting.

Motion:

To recommend the Board approve the reappointment of Mr. Nelson to this committee.

Action: Approve, Moved by Member Johnson, Seconded by Member Hensley.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

Ayes: Member Nelson, Member Johnson, Member Hensley, Member Rindfleisch.

18. REVIEW THE MONTHLY BOARD FINANCE PACKET

Ms. Largent noted this was the first month of the fiscal year. She pointed out the late fee revenue was negative due to a substantial adjustment approved by the Board in Closed Session that hit in July that will be evened out throughout the year. She referenced Page 24 of the agenda packet as she pointed out the addition of Year 2 funds for the Rice Canyon Tank that will be included in the mid-year adjustments. She pointed out this would be the only difference to what is provided in the budget book.

Mr. Kennedy noted in relation to the Rice Canyon Pipeline, the Community Facilities District for the Citro development has been formed and how they will be getting ready to issue the bonds once the assessed valuation has been dialed in correctly. He stated once these bonds are issued, RMWD will receive that money.

Mr. Nelson referenced Page 24 as he inquired about the \$4 million to be spent this budget year on the Hutton and Turner Pump Station. Ms. Largent clarified these were not actually approved funds, but rather proposed. She noted these proposed projects will be kept on the radar in hopes of receiving funding once it is determined by the Board the return of investment make sense. Discussion ensued.

Ms. Largent reported the water sales for July are trending in line with the five-year average. Mr. Hensley inquired whether there would be any likelihood RMWD may have trouble receiving the water needed in the future due to the drought situation. Mr. Kennedy explained the supply was not in jeopardy, but rather the regulatory environment which will very likely mandate a 15% cutback as indicated by the Governor's office. He noted this cutback was voluntary at this point; however, it could be made mandatory in the next month or so similar to the last one. He pointed out FPU D was going into their Level 1 drought which RMWD may consider at the October Board meeting. Discussion followed.

Mr. Hensley inquired as to what the percentage cutback would apply. Mr. Kennedy explained it was his understanding the proposal would involve RMWD going back to a certain time period and cutting back 15% less of that amount.

Mr. Nelson referenced Pages 28 and 29 of the agenda packet inquiring as to the items highlighted in red reflected the purchase of the connections was being defined as completed. Ms. Largent confirmed it was the purchase.

19. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING

It was noted updates on the audit and shutoff, and possibly rescheduling the November committee meeting should be on the next agenda.

20. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 1:46 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary